

Q.PSB:EN-2: Please provide the most recent analysis and opinion of the proposed transaction by Standard & Poor's, Moody's, and/or Fitch Ratings. Please provide a copy of any rating agency presentations related to the amended proposal for the spin-off transaction. What indications have the rating agencies provided as to the likely credit rating for Enexus following the spin-off transaction? What indications have the ratings agencies provided with respect to the credit rating of Entergy Corporation ("Entergy") following the spin-off of Enexus?

A.PSB:EN-2: Petitioner's note that the rating agencies have not provided any public analysis or opinion of the proposed transaction *** BEGIN CONFIDENTIAL INFORMATION ***

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Entergy and Enexus have submitted information detailing the changes to the proposed reorganization to Moody's and Standard & Poor's ("S&P") to receive a rating on Enexus unsecured and secured debt in preparation for accessing the capital markets. See Attachment A.PSB:EN-2.1 (Rating Agency Submittals: Entergy and Enexus Assumptions & Base Case and Enexus Scenarios (confidential) (Oct. 2009); redacted versions of the Entergy and Enexus assumptions documents are provided as Appendix 1 in Attachment A.PSB:EN-27.12. Petitioners note that certain of the confidential financial information in Attachment A.PSB:EN-1 (confidential) has slightly updated assumptions relative to the information that was submitted to the rating agencies and that is available in Attachment A.PSB:EN-2.1 (confidential). Those changes are immaterial to the calculation of the relevant credit statistics noted below. Also produced are the most recent Moody's (Sept. 30, 2009), Fitch (June 18, 2009), and S&P (June 10, 2009) reports. See Attachment A.PSB:EN-2.2 (confidential).

Factors Supporting a Credit Rating for Enexus in the BB Category

Petitioners are confident that Enexus will receive a credit rating in the BB/Ba category from both S&P and Moody's, for two reasons. First, *** BEGIN CONFIDENTIAL INFORMATION ***

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Second, Petitioners' own analysis of Enexus' quantitative and qualitative characteristics relative to the agencies' announced ratings criteria show that Enexus fits within a BB/Ba or better category.

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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With respect to Petitioners' assessment of likely bond ratings, it must be emphasized that, while both major rating agencies have developed highly detailed lists of quantitative and qualitative factors for rating merchant power producers, both state that judgment enters into their final determinations. As a consequence, no one outside the agencies can mechanistically apply their criteria and necessarily arrive at the same ratings as would the agencies themselves. That said, Petitioners have assessed Enexus' financial statistics and qualitative characteristics against the rating agencies' criteria and have concluded that a bond rating in the BB/Ba category is appropriate. The analysis leading Petitioners to that conclusion is summarized below.

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Petitioners believe that the most important factors that define Enexus' anticipated BB/Ba category credit rating are:

- Financial ratios focusing on debt/cash flow and cash flow to interest; and
- Liquidity, cash flow predictability, market position, financial policy and other qualitative factors.

Petitioners are confident that Enexus' financial ratios, liquidity resources, and other credit supportive features are consistent with a bond rating in the BB/Ba category. It should be noted that credit ratings for Enexus will be secured prior to the spin-off of the company. A rating in the BB/Ba category is a condition in Enexus' secured loan agreements.

Summary of Enexus' Positioning Against Moody's Ratings Criteria

Moody's looks at a variety of financial statistics as part of its determination of credit ratings. The financial metrics for companies in Moody's Ba category are shown in the table below.

Moody's Ba Financial Strength Metrics: Power Companies

Segment	CF/ Interest	CF/Debt	RCF/Debt	FCF/Debt
Power Companies	2.0x – 3.5x	13% – 20%	8% – 14%	0% – 11%

Source August 2009 Rating Methodology page 31, Moody's Global Infrastructure Finance

The financial ratios for Enexus on the Moody's criteria are shown in the graphics below. (Please see Attachment A.PSB:EN-2.3 (confidential) for calculations of these financial statistics.)

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As is evident from a comparison of Enexus' financial ratios with Moody's criteria, Enexus falls in or above the Ba category.

As noted earlier, Moody's also considers a variety of qualitative factors in arriving at its determination of final credit ratings. Petitioners believe that Enexus is strongly positioned on these factors.

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Liquidity and Financial Policy

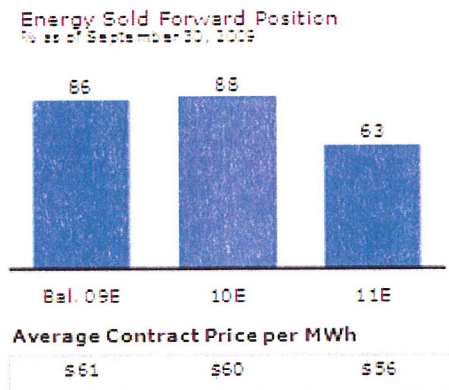
Petitioners believe that Enexus is very strong on the dimensions of liquidity and financial policy. Enexus' initial financial position and its financing strategy for the future have been specifically designed to ensure it will have the financial strength and flexibility to support its nuclear facilities, even under stressful economic conditions. Importantly, Enexus will not depend upon an ability to issue unsecured debt in difficult markets to finance needed reliability investments for its facilities. On the day of the spin, Enexus will have approximately \$1.9 billion of net liquidity readily available, consisting of:

- Approximately \$750 million of cash on hand; and
- Approximately \$1.150 billion of available borrowing authority under its already committed Secured Bank Facility and Term LC Facility after anticipated support obligations are deducted

In addition, Enexus will have approximately \$800 million of additional, secured-financing authority, resulting in a total at the time of spin-off of approximately \$2.7 billion under its Secured Bank Facility, Term LC Facility, additional secured-financing authority and cash on hand.

Characteristics of Assets, Market and Competitive Position, and Cash Flow Predictability

Enexus' nuclear fleet has a demonstrated history of high availability and will sell base-load power into relatively high-priced wholesale markets. While prices in these markets are driven importantly by the price of the natural gas burned by other generators, and thus are somewhat volatile, the stability of Enexus' cash flows will be aided by significant power hedges Enexus has in place. Enexus' hedging position is summarized in the graphic below:



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In summary, Petitioners conclude that, on both quantitative and qualitative dimensions, Enexus will be accorded a Moody's rating in the Ba category.

Summary of Enexus' Positioning Against S&P's Ratings Criteria

A first element in S&P's analysis is a determination of a company's financial risk profile based on selected "financial risk indicative ratios." The categories and rating criteria for each financial risk category are summarized in the table below.

S&P's Financial Risk Indicative Ratios (Corporates)

Financial Risk Indicative Ratios (Corporates)			
	FFO/Debt (%)	Debt/EBITDA (x)	Debt/Capital (%)
Minimal	greater than 60	less than 1.5	less than 25
Modest	45-60	1.5-2	25-35
Intermediate	30-45	2-3	35-45
Significant	20-30	3-4	45-50
Aggressive	12-20	4-5	50-60
Highly Leveraged	less than 12	greater than 5	greater than 60

Source: S&P Criteria | Corporates | General: Criteria Methodology: Business Risk/Financial Risk Matrix Expanded (May 27, 2009)

Enexus' financial statistics on two key measures employed by S&P are shown below. (See Attachment A.PSB:EN-2.1 (confidential) for calculations of these financial statistics.)

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As is evident from comparing Enexus' FFO/Debt and Debt/EBITDA ratios shown in the graphics above with the S&P standards for a "significant" rating shown in the S&P table above, Enexus clearly fits into the "significant" category on the FFO and EBITDA dimensions. Although not pictured, Enexus is below the "significant" category on the Debt/Capital dimension. However, because Enexus' book value ratio is an artifact of Entergy's low original purchase price for the non-utility nuclear plants, Petitioners believe this measure is of lesser

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importance in determining credit ratings. *** BEGIN CONFIDENTIAL INFORMATION

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S&P's Business and Financial Risk Profile Matrix

S&P also considers a variety of qualitative factors in determining a company's business risk profile and, ultimately, its credit quality. As shown in the table below, companies with a financial risk profile of "significant" and business profiles of "weak" or better and are rated in the BB category or higher.

Business And Financial Risk Profile Matrix						
Business Risk Profile	Financial Risk Profile					
	Minimal	Modest	Intermediate	Significant	Aggressive	Highly Leveraged
Excellent	AAA	AA	A	A-	BBB	--
Strong	AA	A	A-	BBB	BB	BB-
Satisfactory	A-	BBB+	BBB	BB+	BB-	B+
Fair	--	BBB-	BB+	BB	BB-	B
Weak	--	--	BB	BB-	B+	B-
Vulnerable	--	--	--	B+	B	CCC+

These rating outcomes are shown for guidance purposes only. Actual rating should be within one notch of indicated rating outcomes.

Source: S&P Criteria | Corporates | General: Criteria Methodology: Business Risk/Financial Risk Matrix Expanded (May 27, 2009)

Petitioners, after considering the factors S&P uses in determining business risk, conclude that Enexus merits a business risk rating of "satisfactory." Enexus will operate a relatively small fleet of plants, all nuclear, in competitive power markets subject to considerable price volatility because of the volatility of natural gas fuel prices. On the other hand, the operational history of these plants is recognized by industry groups as excellent and, as a base load generator operating in relatively high priced markets, Enexus will benefit from a strong continuing stream of revenues and cash flows. In addition, because of its hedging strategy, Enexus will insulate itself from much of the near-term price volatility in its competitive power markets. ***BEGIN

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Based on the foregoing evidence, Petitioners believe that S&P will award a rating in the BB category to Enexus.

Person Responsible for Response: Dean Keller; Andrew Marsh
Title: Executive Vice President, Finance; Vice President, Planning and Financial
Communications
Date: December 9, 2009

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